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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

Order Instituting Rulemaking to Enhance the Role of Demand Response in Meeting the State's Resource Planning Needs and Operational Requirements	Rulemaking 13-09-011 (Filed September 19, 2013)

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY COMMENTS ON THE PROPOSED DECISION ADOPTING GUIDANCE FOR FUTURE DEMAND RESPONSE PORTFOLIOS AND MODIFYING DECISION 14-12-024

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I. INTRODUCTION

Pursuant to the Rule 14.3(d) of the Rules of Practice and Procedure of the California Public Utilities Commission ("CPUC" or "Commission"), Southern California Edison Company ("SCE") hereby submits its reply comments on Administrative Law Judge Hymes' Proposed Decision Adopting Guidance for Future Demand Response Portfolios and Modifying Decision 14-12-024 ("PD").[1]

II. DISCUSSION

A. The PD Should Be Modified to Clarify the Back-up Generation ("BUG") Prohibition Policy

SCE agrees with PG&E that the PD is unclear about cost recovery for implementation of the BUG prohibition.[2] To address the lack of clarity, SCE recommended that the Commission allow the

[1] Opening comments were submitted by SCE, Pacific Gas and Electric Company ("PG&E"), San Diego Gas & Electric Company ("SDG&E"), OhmConnect, Inc., Comverge, Inc., CPower, EnerNOC Inc., and EnergyHub (collectively, the Joint Demand Response Parties ("Joint DR Parties")), the Office of Ratepayer Advocates ("ORA"), the California Large Energy Consumers Association ("CLECA"), The Utility Reform Network ("TURN"), the California Energy Storage Alliance ("CESA"), Bloom Energy, Inc. ("Bloom"), SolarCity Corporation ("SolarCity"), Comverge Inc., ("Comverge"), Opower, Inc. ("Opower"), Sierra Club and Environmental Defense Fund ("EDF").

[2] PG&E Opening Comments, pp. 4-6.

investor-owned utilities ("IOUs")[3] to file a Tier 1 advice letter to request fund-shifting of current DR budgets.[4]

Because the Commission's intent is to prohibit BUGs for all DR and because the majority of DR may be delivered by third parties in the future, an additional clarification is necessary. PG&E proposes that the PD should clarify "that the [DR Auction Mechanism ("DRAM")] pilot and its successor are subject to the same rules governing prohibited resources as IOU DR programs" and that third-party DR providers participating in IOU DR programs will implement any necessary measures required by the BUG prohibition.[5] SCE agrees with PG&E and recommends that the PD be modified to incorporate PG&E's recommendations.

B. Verification of the BUG Prohibition Should Proceed as Envisioned in the PD

ORA, Sierra Club, and EDF argue that the PD should be revised to require verification of compliance with the BUG prohibition by metering BUGs, consistent with the September 29, 2015 Energy Division ("ED") Staff Proposal ("Staff Proposal").[6] The PD should be adopted "as is" on this point because it appropriately finds that it is sufficient to include the BUG prohibition in DR program tariffs and to require non-residential customers to attest to their BUG policy compliance or accept a default adjustment. Requiring BUG metering, site visits, or other verification would introduce cost and complexity without discernible gain.[7] In addition, the PD outlines a process for an independent party to determine whether more robust verification is feasible, and if so how it may be accomplished.[8] SCE recommends that the Commission approve the PD's findings that the verification methods outlined in the Staff Proposal would be cost-prohibitive and that the PD's proposal provides a reasonable path to achieve the same goal in a more customer-friendly and cost-efficient manner.

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[3] The IOUs are SCE, PG&E, and SDG&E.

[4] SCE Opening Comments, pp. 4-5.

[5] PG&E Opening Comments, pp. 6-7.

[6] ORA Opening Comments, pp. 3-4; Sierra Club and EDF Opening Comments, pp. 4-7.

[7] PD, Findings of Fact ("FOF") 31, 34, and 36, p. 77; Conclusion of Law 10, 11, and 12, p. 84; Ordering Paragraph ("OP") 4, pp. 86-87.

[8] PD, OP 5, p. 87.

C. If the DRAM Pilot Analysis Justifies a DRAM Program, Delivery Should Begin in 2020 at MW Levels No Higher than those in the PD

In their comments, both the Joint DR Parties and OhmConnect advocate for deliveries under a full DRAM program to occur in 2019, rather than in 2020 as envisioned in the PD.[9] As noted by SCE, Comverge, and SDG&E, the PD does not guarantee continuation of the DRAM; rather, it requires that the DRAM pilot be analyzed prior to determining whether to transition it to a full program.[10] The results of the DRAM pilot analysis are due in August 2018,[11] which is too late to inform a 2018 solicitation. Transitioning DRAM to a full program in time for 2019 delivery would result in overlap of a DRAM pilot and DRAM program, if contracts are signed in the 2017 DRAM solicitation for delivery in 2018 and 2019, potentially resulting in market confusion. The Commission should reject the proposal by the Joint DR Parties and OhmConnect to implement a full DRAM program that would allow for deliveries in 2019 because such a program would need to be designed and implemented before ED completes its analysis of the pilot and makes its determination about whether and how to transition to a full program.

TURN proposes that the 1,000 megawatt ("MW") cap proposed in the PD should be raised to 2,000 MW or that the cap should not apply until each IOU has accepted all bids up to its price minimum.[12] In addition, TURN proposes that the Commission require the IOUs to procure up to the higher of the simple average August bid price or the average August capacity cost of IOU DR Programs.[13] SCE does not support the use of a price threshold for DRAM procurement.[14] SCE agrees with PG&E that the IOUs should be allowed to use least-cost, best-fit principles as is the case in all other Commission-approved solicitations.[15] SCE also agrees with CLECA, which notes the potential for

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[9] Joint DR Parties Opening Comments, p. 11; OhmConnect Opening Comments, pp. 2-4.
[10] SCE Opening Comments, p. 5; Comverge Opening Comments, pp. 4-6; SDG&E Opening Comments, pp. 3-4.
[11] PD, OP 11, pp. 89-90.
[12] TURN Opening Comments, pp. 5-6.
[13] *Id*.
[14] SCE Opening Comments, pp. 6-7.
[15] PG&E Opening Comments, pp. 8-9.

overpayment by the IOUs and gaming by third parties if a price threshold is used for the DRAM.[16] Beyond the question of whether price thresholds are appropriate in solicitations, SCE notes that the 2016 and 2017 DRAM solicitations had a minimum procurement of 22 MW statewide. Although the IOUs generally procured more than the minimum in 2016, TURN's suggestion to increase the "quantity" cap to 2,000 MW[17] in 2020 is almost one hundred times the 2016 and 2017 minimum procurement. The Commission should avoid such a large jump in a solicitation that, if extended, will be entering its first year as a full program in 2020. The Commission should reject TURN's proposal and maintain a 1,000 MW cap.

The PD establishes as a guiding principle for DR that "[d]emand response processes shall be transparent."[18] OhmConnect uses this guiding principle to advocate for defining "processes" to "include the proposed full-scale DRAM program, including its administration and bid evaluation and selection processes."[19] Certain information, such as administration, bid evaluation, and bid selection processes, should be held confidential in a competitive solicitation to avoid manipulative bidding behavior. The Commission should reject OhmConnect's recommendation.

D. <u>The Question of Revising DR Program Incentives for Net Energy Metering ("NEM") Customers is Out of Scope</u>

SolarCity proposes that the Commission require the IOUs to "include rules for NEM customers to participate in DR when designing programs for 2018 and beyond."[20] The issue of NEM customer participation is out of scope for this decision on IOUs' upcoming DR applications as it has not been addressed in the record up to this point. The May 20, 2016 Ruling[21] did not include the question of NEM in its list of questions for parties to respond to, and no party raised it as an issue in its response to

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[16] CLECA Opening Comments, p. 6.
[17] TURN Opening Comments, p.6
[18] PD, OP 8, pp. 88-89.
[19] OhmConnect Opening Comments, p. 6.
[20] SolarCity Opening Comments, p. 5.
[21] Administrative Law Judge's Ruling Requesting Responses to Additional Questions in Regard to 2018 and Beyond Demand Response Programs, issued May 20, 2016. This Ruling presented a comprehensive list of questions for parties to respond to in developing the record on the IOUs' 2018 and beyond DR applications.

that Ruling.

In addition, SolarCity states that NEM customers participating in DR should be compensated on their *gross* load reduction as opposed to their *net* load reduction as is currently the case. One issue with this change is the difficulty in determining gross load and load reduction. Generators and energy storage devices eligible for NEM are behind the customers' meters and the energy produced and stored is measured only when exported to the grid. Therefore, SCE has no way of knowing the customers' gross load unless potentially expensive metering is installed on the generator and storage systems.

E. IOUs Should Be Allowed to Enroll New Customers in DR Programs

PG&E asks for clarity regarding the PD's assertion that all new DR shall be sourced through the DRAM.[22] SCE agrees that the PD could be read so as to limit the IOUs' ability to enroll new customers on its existing programs and agrees with PG&E that this should not be the case given that the PD also continues the role of the IOU as a DR provider.[23] SCE also agrees with CLECA's comment that customers should be able to choose their DR provider and DR programs.[24] The Commission should revise the PD to clarify this point.

F. Weekly Exception Reporting Should be Discontinued Beginning January 1, 2017

SDG&E recommends that the Commission discontinue the weekly DR exception report beginning January 1, 2017 rather than January 1, 2018 as currently ordered in the PD.[25] SCE agrees with this recommendation because most of SCE's DR programs have been integrated into the CAISO market, taking dispatch of those MW out of SCE's hands.[26]

III. CONCLUSION

SCE appreciates the opportunity to provide these reply comments and encourages the Commission to adopt its recommendations.

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22 PG&E Opening Comments, p. 11.
23 PD, FOF 65 and 69, p. 80.
24 CLECA Opening Comments, p. 5.
25 SDG&E Opening Comments, pp. 8-9.
26 *See* SCE's Proposal for Approval of its 2017 Demand Response Program and Bridge Funding Authorization, p. 5, filed February 2, 2016.

Respectfully submitted,

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